

Kotkamills Group Oyj

INTERIM REPORT

01.01. - 31.03.2017

Table of contents

Interim report 01.01.-31.03.2017

Explanatory statement to interim report

Consolidated financial statements

- Consolidated statement of profit or loss
- Consolidated statement of other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows

Notes to the interim report

1. Accounting policies for the interim report
2. Segment information
3. Discontinued operations
4. Changes in property, plant and equipment
5. Financial assets and liabilities
6. Commitments and contingencies
7. Related party transactions
8. Events after the reporting period

Kotkamills Group Oyj's Interim Report January 1– March 31, 2017

1. Events during January - March 2017

On January 17, 2017, the Company was informed by Nordic Trustee Oy, acting as the Trustee under the bonds, that the bondholders have given the requested consent (as revised on 23 December 2016) for a disposal of the Imprex Business in accordance with the terms and conditions of the bonds.

On February 16, 2017, the Company informed that the shareholders of Kotkamills Group Oyj have on 16 February 2017 unanimously resolved to offer by a directed issue a maximum of 1,875,417 new series A shares (the "New A Shares") of the company for subscription to the holders of series A shares pro rata to their holding of series A shares, a maximum of 63,125 series B shares held by the company (the "Treasury Shares") for subscription to certain key employees of the Kotkamills group and a maximum of 203,885 new series B shares (together with the New A Shares, the "New Shares") of the company for subscription to the holders of series B shares pro rata to their holding of series B shares, taking into account the Treasury Shares offered for subscription. The subscription period expired on 22 February 2017. The New Shares represent in aggregate approximately 18.02 per cent of the existing shares in the company. In addition, the board of directors was authorised to issue a maximum of 68,233 series B shares held by the company to key employees of the company or its subsidiaries as part of the company's management incentive system in deviation from the shareholders' pre-emptive subscription rights.

The subscription price for each New Share and each Treasury Share is EUR 1.00 and the aggregate subscription price for the New Shares and the Treasury Shares is EUR 2,142,427. Pursuant to the terms of the share issue of the New A Shares, the holders of series A shares are in connection with their participation in the share issue required to grant shareholder loans to the company up to the aggregate amount of EUR 17,920,698. The terms of the shareholder loans are in material respects equivalent to the terms of the existing shareholder loans.

The purpose of the share issue and the utilisation of the shareholder loans was to ensure full utilization of the commercial ramp-up of the new board machine.

On February 24, 2017, the Company informed, that the holders of series A shares subscribed the maximum amount of 1,875,417 New A Shares offered for subscription in the directed share issue and the holders of series B shares subscribed the maximum amount of 63,125 Treasury Shares and 189,860 of the in total 203,885 New B Shares offered for subscription in the directed issue. The subscribed New Shares represent in aggregate approximately 17.90 per cent of the total number of shares in the company.

The aggregate subscription price for the New Shares and the Treasury Shares was EUR 2,128,402. Pursuant to the terms of the share issue of the New A Shares, the holders of series A shares granted in connection with their participation in the share issue shareholder loans to the company in the aggregate amount of EUR 17,920,698.

As a result of the share issue and the utilisation of the new shareholder loans, Kotkamills Group Oyj obtained financing in the aggregate amount of EUR 20,049,100.

The delivery volumes of Industrial Products segment increased compared to the previous quarter and the demand continued to stay at a good level.

The commercial ramp-up of Consumer Boards products continued in the first quarter.

2. Key performance indicators

The business of Magazine Papers was classified as a discontinued operation in January 2016 and thus the net result of the business of Magazine Papers is presented in the statement of profit or loss under "Profit (loss) from discontinued operations" separately from continuing operations for comparison periods presented.

Q1/2017 (compared with Q1/2016)

The Group's revenue of continuing operations of EUR 59,9 million (EUR 51,0 million) improved by EUR 8,9 million from the same period a year ago mainly due to increased Consumer Boards sales.

The operating profit of continuing operations was EUR -4,1 million (EUR -2,1 million) mainly due a negative impact from the commercial ramp-up of Consumer Boards business. The good financial performance of Industrial Products segment with operating profit of EUR 6,8 million (EUR 3,8 million) continued also in Q1/2017.

The cash flows from operating activities of EUR -6,6 million (EUR -17,5 million) were negatively affected by increased net working capital.

The cash flows from investing activities of EUR -3,5 million (EUR -31,0 million) were improved clearly due to decreased capital expenditure.

Cash flows from financing activities were EUR 12,2 million (EUR -0,1 million), including shareholders loans of EUR 17,9 million, direct share issue EUR 2,1 million and repayment of bond loan EUR -7,5 million.

	2017	2016	2016
	1.1.-31.3.	1.1.-31.3.	1.1.-31.12.
Continuing operations			
Revenue, EUR million	59,9	51,0	219,1
EBITDA, EUR million	0,0	-0,7	9,5
Operating profit, EUR million	-4,1	-2,1	-0,4
Operating profit / Revenue (%)	-6,8	-4,1	-0,2
Group Total			
Return on equity (%)	-35,2	-20,9	-53,2
Equity ratio (%)	5,9	11,5	7,8
Equity ratio, adjusted (%)*	53,7	45,3	50,1

*Equity including shareholder loans and the junior term loan

The Group monitors capital using an equity ratio and an adjusted equity ratio based on the financial covenants, which is total equity added with shareholder loan and the junior term loan and divided by total assets. The Group's policy is to keep the adjusted equity ratio above 30%. There have been no breaches of the financial covenants of equity ratio in the current period.

3. Events after reporting date

At the closing date the pending litigation of termination of an agent contract was in review process in the Court of Appeals in Turkey. On April 7, 2017 the Court of Appeals approved the decision of the court of first instance (it had dismissed the lawsuit based on the grounds that it lacks competence since the parties have agreed to settle all disputes arising out of the agency agreement by arbitration) and sent the lawsuit file back to court of first instance for finalization of the decision. Kotkamills Oy has not recognized any provision because of the claim.

At the closing date Kotkamills Oy's Seller and former owner prior to the Seller had a dispute related to the terms and conditions of the former acquisition. The dispute was related to certain voluntary pension obligations. Kotkamills Oy was a party to the dispute. Arbitration award was given on May 2, 2017. Based on both award and agreement between Kotkamills Group Oyj and Kotkamills Oy's Seller there won't be any financial impacts on Kotkamills Oy.

Kotkamills Oy has also one unsettled contractual dispute. The dispute relates to a potential compensation claim by a supplier related to performed construction work. In a pending arbitration the supplier claims Kotkamills Oy for compensation of preliminary EUR 1 500 thousand by appealing to rushing costs and increases of unit prices. Kotkamills Oy has disputed the claims as unfounded and has not recognized any provision because of the claim.

4. Outlook for 2017

The revenue of the second quarter in 2017 is estimated to be higher than in the first quarter 2017 due to increase in especially Consumer Boards delivery volumes. The profit of continuing operations for the second quarter of 2017 is estimated to improve from the previous quarter although the continuing commercial ramp-up of Consumer Boards business is estimated to have a diluting effect on the profit of the second quarter.

The demand of all business segments is expected to stay at the good level, but changes in economic situation in Europe and geopolitical risks may have weakening impact on demand.

Currency exchange rate changes and possible increases in raw material prices could adversely impact the Group's profit development.

5. Near-term risk review

There has not occurred material changes in near-term risks and uncertainties disclosed in the annual financial statement of 2016. The annual financial statement of 2016 is available on the Company's website at www.kotkamills.com/fi/kotkamillsgroup/keyfinancials.

Consolidated statement of profit or loss

For the period 01.01.-31.03.2017

	01.01.- 31.03.2017	01.01.- 31.03.2016	01.01.- 31.12.2016
	€000	€000	€000
Continuing operations			
Revenue	59 944	50 999	219 099
Other operating income	286	71	20 702
Change in inventories of finished goods and work in progress	4 479	-97	4 618
Production for own use	3	488	1 441
Materials and supplies	-45 376	-35 139	-161 994
Employee benefit expenses	-9 662	-9 185	-40 581
Depreciation and amortisation	-4 098	-1 402	-9 927
Other operating expenses	-9 664	-7 838	-33 784
Total expenses	-64 318	-53 173	-240 227
Operating profit	-4 088	-2 103	-426
Financial income	1 266	897	4 132
Financial expenses	-4 830	-4 405	-17 255
	-3 564	-3 508	-13 123
Profit before taxes	-7 652	-5 611	-13 549
Income taxes	-2	-112	-572
Deferred taxes	263	-569	23
Profit (loss) for the period from continuing operatios	-7 392	-6 292	-14 098
Discontinued operations			
Profit (loss) after tax for the period from discontinued operations	0	-917	-2 279
Profit (loss) for the period	-7 392	-7 208	-16 377

Consolidated statement of other comprehensive income

For the period 01.01.-31.03.2017

	01.01.- 31.03.2017	01.01.- 31.03.2016	01.01.- 31.12.2016
	€000	€000	€000
Profit (loss) for the period	-7 392	-7 208	-16 377
Other comprehensive income items:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Translation differences	0	428	863
Net other comprehensive income to be reclassified to profit or loss in subsequent periods after taxes	0	428	863
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-200
Income taxes	0	0	40
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods after taxes	0	0	-160
Other comprehensive income for the period, net of tax	0	428	703
Total comprehensive income for the period, net of tax	-7 392	-6 780	-15 674

Consolidated statement of financial position

31.03.2017

	31.03.2017	31.12.2016	31.3.2016
	€000	€000	€000
Assets			
Non-current assets			
Property, plant and equipment	213 595	215 160	120 935
Other intangible assets	13 563	14 113	16 055
Non-current financial assets	2 030	2 138	561
	229 188	231 410	137 552
Current assets			
Inventories	36 358	32 050	34 298
Trade and other receivables	24 980	22 221	41 966
Other financial assets	1 780	2 312	1 967
Cash	18 935	16 789	54 608
	82 054	73 372	132 838
Total assets	311 242	304 783	270 390

Consolidated statement of financial position

31.03.2017

	31.3.2017	31.12.2016	31.3.2016
	€000	€000	€000
Equity and liabilities			
Equity			
Share capital	80	80	80
Reserve for invested non-restricted equity	13 523	11 458	9 920
Retained earnings	4 790	12 119	21 135
Total equity	18 393	23 657	31 135
Non-current liabilities			
Interest bearing loans and borrowings	223 012	210 839	187 722
Other non-current financial liabilities	5 458	6 241	13
Provisions	120	0	76
Pension obligations	820	837	714
Deferred tax liabilities	351	614	1 431
	229 761	218 531	189 956
Current liabilities			
Trade and other payables	45 077	44 237	38 850
Interest bearing liabilities	14 598	14 587	6 975
Other current financial liabilities	3 412	3 771	3 474
	63 088	62 595	49 299
Total liabilities	292 849	281 126	239 255
Total shareholders' equity and liabilities	311 242	304 783	270 390

Consolidated statement of changes in equity

31.03.2017

€000	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
Equity as at 01.01.2016	3	9 978	27 886	37 866
Other comprehensive income				
Profit (loss) for the period	0	0	-7 208	-7 208
Other comprehensive income items (net of tax)				
Translation differences	0	0	457	457
Total comprehensive income	3	9 978	21 135	31 115
Transactions with shareholders				
Share issue	0	20	0	20
Increase in share capital	78	-78	0	0
Total transactions with shareholders	78	-58	0	20
Equity as at 31.03.2016	80	9 920	21 135	31 135
Equity as at 01.04.2016	80	9 920	21 135	31 135
Other comprehensive income				
Profit (loss) for the period	0	0	-9 169	-9 169
Other comprehensive income items (net of tax)				
Translation differences	0	0	406	406
Actuarial gains (+) / losses (-) on defined benefit plans	0	0	-160	-160
Total comprehensive income	80	9 920	12 212	22 212
Transactions with shareholders				
Dividends, paid	0	0	-30	-30
Share issue	0	1 538	0	1 538
Own shares	0	0	-63	-63
Total transactions with shareholders	0	1 538	-93	1 445
Equity as at 31.12.2016	80	11 458	12 119	23 657
Equity as at 01.01.2017	80	11 458	12 119	23 657
Other comprehensive income				
Profit (loss) for the period	0	0	-7 392	-7 392
Other comprehensive income items (net of tax)				
Total comprehensive income	80	11 458	4 728	16 265
Transactions with shareholders				
Share issue	0	2 065	0	2 065
Own shares	0	0	62	62
Total transactions with shareholders	0	2 065	62	2 127
Equity as at 31.03.2017	80	13 523	4 790	18 393

Consolidated statement of cash flows

For the period 01.01.-31.03.2017

	01.01.- 31.03.2017	01.01.- 31.03.2016	01.01.- 31.12.2016
	€000	€000	€000
Cash flows from operating activities			
Profit (loss) for the period before taxes	-7 652	-6 528	-15 828
Adjustments:			
Transactions without payments	499	-199	795
Depreciation	4 098	1 739	10 854
Interest expenses and other financial expenses	4 830	4 405	17 255
Interest income	-1 266	-897	-4 132
Defined benefit plans, net	0	0	107
Other	0	0	-23 263
	<u>8 161</u>	<u>5 048</u>	<u>1 615</u>
Change in working capital:			
Change in trade and other receivables	-4 939	-2 459	21 235
Change in inventories	-4 308	5 975	7 393
Change in trade and other payables	5 834	-14 909	-653
Interests and other financial expenses, paid	-4 664	-4 523	-9 860
Interests and other financial income, received	939	6	41
Taxes, paid	-2	-112	-572
	<u>-7 141</u>	<u>-16 021</u>	<u>17 584</u>
Net cash flows from operating activities (A)	-6 632	-17 501	3 372
Cash flows from investing activities			
Tangible and intangible assets sales profit	0	0	4
Proceeds from disposal of subsidiary shares and business operations	0	0	23 263
Investments in property, plant and equipment	-3 464	-30 954	-138 582
Purchase of own shares	-1	0	-63
Change in non-current financial assets	0	-15	-1 269
Net cash flows from investing activities (B)	-3 465	-30 968	-116 647
Cash flows from financing activities			
Proceeds received related to share issue	2 065	20	1 558
Proceeds from loans and borrowings	17 921	0	33 437
Repayment of loans and borrowings	-7 499	0	-7 499
Sale of own shares	63	0	0
Repayment of financial leases	-307	-100	-558
Dividends, paid	0	0	-30
Net cash flows from financing activities (C)	12 243	-80	26 908
Change in cash (A+B+C)	<u>2 146</u>	<u>-48 549</u>	<u>-86 368</u>
Cash and short term deposits at beginning of period	16 789	103 157	103 157
Cash and short term deposits at the end of period	18 935	54 608	16 789

Notes to the interim report

1. Accounting principles for the interim report

This Interim Report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Interim Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The accounting policies adopted in the preparation of the Interim Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

This interim report is unaudited.

Notes to the interim report

2. Segment information

	Continuing operations			Discontinued operations	
	Consumer Boards	Industrial Products	Adjustments	Total continuing operations	Magazine Papers
	€000	€000	€000	€000	€000
01.01.-31.03.2017					
Revenue					
External customers	7872	49 747	0	57 619	0
Inter-segment	59	1 426	-1 485	0	0
Total revenue	7931	51 172	-1 485	57 619	0
Depreciation and amortisation	-2243	-519	0	-2 762	0
Segment operating profit	-9 680	6 826	0	-2 855	0
01.01.-31.03.2016					
Revenue					
External customers	0	50 437	0	50 437	12 116
Inter-segment	0	140	-140	0	0
Total revenue	0	50 576	-140	50 437	12 116
Depreciation and amortisation	-26	-478	0	-505	-336
Segment operating profit	-4 459	3 834	0	-625	-917
01.01.-31.12.2016					
Revenue					
External customers	11 473	200 275	0	211 747	18 712
Inter-segment	93	3 090	-3 182	0	0
Total revenue	11 566	203 364	-3 182	211 747	18 712
Depreciation and amortisation	-3603	-2 081	0	-5 685	-878
Segment operating profit	-38 209	23 096	0	-15 113	-2 279

Reconciliation of revenue

	01.01.- 31.03.2017	01.01.- 31.03.2016	01.01.- 31.12.2016
Revenue	€000	€000	€000
Total segment revenue	57 619	50 437	211 747
Items not allocated to segments			
Sales of energy	2 404	2 122	6 673
Other and exchange rate differences	-78	-1468	679
Total unallocated items	2 326	654	7352
IFRS adjustments	0	-92	0
Group's total revenue	59 944	50 999	219 099

Reconciliation of profit

	01.01.- 31.03.2017	01.01.- 31.03.2016	01.01.- 31.12.2016
Operating profit	€000	€000	€000
Segment operating profit	-2 855	-625	-15 113
Items not allocated to segments			
Unallocated administrative income/expenses	23	-565	-365
Unallocated non-recurring items related to the business combination/asset disposal	0	0	0
Total unallocated items	23	-565	-365
Gain from bargain purchase	0	0	18 907
Other IFRS adjustments	-1 256	-913	-3 855
Group's total operating profit	-4 088	-2 103	-426

Notes to the interim report

3. Discontinued operations

According to the plan, the production of magazine paper was discontinued on January 23, 2016 and the conversion of paper machine 2 to board machine began. The last deliveries of magazine paper were done during the third quarter in 2016.

The business of Magazine Papers was classified as a discontinued operation on January 23, 2016. The business represented the entirety of the Group's Magazine Papers operating segment until the production was discontinued on January 23, 2016.

The net result of the business of Magazine Papers is presented in the statement of profit or loss under

"Profit (loss) from discontinued operations" separately from continuing operations for all periods presented.

The results of discontinued operations for the period are presented below:

	01.01.-31.03.2017	01.01.-31.03.2016
	€000	€000
Revenue	0	12 116
Expenses	0	-13 033
Operating profit	0	-917
Profit (loss) before tax from discontinued operations	0	-917
Profit (loss) after tax for the period from discontinued operations	0	-917
Total profit before tax		
Profit (loss) before tax from discontinued operations	0	-917
Total	0	-917

Net cash flow of the discontinued operations:

	01.01.-31.03.2017	01.01.-31.03.2016
	€000	€000
Operating	0	1543
Investing	0	-24
Net cash flow	0	1519

Notes to the interim report

4. Changes in property, plant and equipment

	Land and water areas	Buildings and constructions	Machinery and equipment	Advance payments and construction in progress	Other tangible assets	Total
	€000	€000	€000	€000	€000	€000
Acquisition cost						
31.12.2016	755	11 221	209 665	1 715	3 360	226 716
Additions	0	4	3 013	2 055	56	5 128
Transfers	0	0	0	-3 073	0	-3 073
31.03.2017	755	11 224	212 679	698	3 416	228 772
Depreciation and impairment						
31.12.2016	0	561	10 782	0	213	11 557
Depreciation charge for the year	0	103	3 456	0	61	3 620
31.03.2017	0	665	14 238	0	274	15 177
Carrying amount						
31.12.2016	755	10 660	198 883	1 715	3 147	215 160
31.03.2017	755	10 560	198 441	698	3 142	213 595

Notes to the interim report

5. Financial assets and liabilities

Financial assets	31.03.2017	31.03.2017	31.12.2016	31.12.2016	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
Financial assets at fair value through profit or loss					
Financial assets held for trading					
Foreign currency derivatives	651	651	438	438	2
Commodity derivatives	1 345	1 345	2 197	2 197	2
Total	1 995	1 995	2 635	2 635	
Total financial assets at fair value through profit or loss	1 995	1 995	2 635	2 635	
Loans and other receivables					
Trade receivables	10 687	10 687	10 526	10 526	
Cash	18 935	18 935	16 789	16 789	
Total	29 622	29 622	27 315	27 315	
Total financial assets	31 618	31 618	29 950	29 950	
Total non-current					
Non-current financial assets	1 815	1 815	1 815	1 815	

The management assessed that the fair values of cash and short-term deposits and trade receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities	31.03.2017	31.03.2017	31.12.2016	31.12.2016	Level of hierarchy
	Carrying amount	Fair value	Carrying amount	Fair value	
	€000	€000	€000	€000	
Financial liabilities at fair value through profit or loss					
Financial liabilities held for trading					
Foreign currency derivatives	726	726	1 030	1 030	2
Commodity derivatives	425	425	956	956	2
Total	1 151	1 151	1 987	1 987	
Financial liabilities measured at amortised cost					
Bond	88 962	88 962	96 352	96 352	
Shareholder loan	128 383	128 383	108 898	108 898	
Trade payables	28 397	28 397	27 479	27 479	
Junior term loan	20 263	20 263	20 175	20 175	
Leasing liabilities	7 369	7 369	7 676	7 676	
Total	273 375	273 375	260 580	260 580	
Total financial liabilities	274 526	274 526	262 567	262 567	
Financial liabilities held for trading	38	38	40	40	
Bond	74 364	74 364	81 765	81 765	
Shareholder loan	128 383	128 383	108 898	108 898	
Junior term loan	20 263	20 263	20 175	20 175	
Leasing liabilities	5 795	5 795	6 201	6 201	
Total non-current	228 843	228 843	217 080	217 080	
Financial liabilities held for trading	1 113	1 113	1 946	1 946	
Bond	14 598	14 598	14 587	14 587	
Trade payables	28 397	28 397	27 479	27 479	
Leasing liabilities	1 574	1 574	1 475	1 475	
Total current	45 683	45 683	45 488	45 488	

The management assessed that the fair values of trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value measurement hierarchy for financial assets and liabilities measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1 that, however, are observable for the asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability, which are to a significant extent based on management's judgement and use of the assumptions as inputs for widely used valuation techniques.

There were no transfers between Level 1 and Level 2 during Q1 / 2017.

Notes to the interim report

6. Commitments and contingencies

	31.03.2017	31.12.2016
	€000	€000
Operating lease commitments		
Operating leases, within one year	115	153
Operating leases, more than one year	140	153
Guarantees		
Securities given on own behalf		
Mortgages	750 000	750 000
Shares of Kotkamills Oy	39 653	39 653
Intercompany loan	175 000	155 000
Total	964 908	944 959

Commitments

Litigations and disputes

In a pending litigation a claimant claims Kotkamills Oy for compensation of EUR 190 thousand for termination of an agent contract. The legal action has been taken in Turkey and the claimant has based its claim on Turkish law. The court has dismissed the lawsuit based on the grounds that it lacks competence since the parties have agreed to settle all disputes arising out of the agency agreement by arbitration. The claimant appealed the decision of the court of first instance with a petition dated 19 April 2016 and hence, the lawsuit file has been sent to the Court of Appeals on 15.6.2016 for review. Kotkamills Oy has not recognised any provision because of the claim.

Kotkamills Oy's Seller and former owner prior to the Seller have a dispute related to the terms and conditions of the former acquisition. The dispute is related to certain voluntary pension obligations. Kotkamills Oy is a party to the dispute. At the closing date the process is in arbitration. Because the value of the contingent consideration cannot be measured reliably and the possible consideration paid to Kotkamills Oy gives the Seller a right to an additional purchase price equalling the amount of consideration paid to Kotkamills Oy, no contingent liability nor asset has been recognised due to the arbitration.

Disputes

At the closing date the Kotkamills Oy has one unsettled contractual dispute.

The dispute relates to a potential compensation claim by a supplier related to performed construction work. The supplier has claimed for additional payments of EUR 320 thousand on top of agreed contract prices. Additionally the supplier has claimed for payments of EUR 1 690 thousand by appealing to rushing costs and increases of unit prices.

Kotkamills Oy has disputed the claims as unfounded and has not recognised any provision because of the claim.

Notes to the interim report

7. Related party transactions

A transaction that is not eliminated in the consolidated financial statements is presented as a related party transaction as follows:

	31.03.2017			
	Sales	Purchases	Receivables	Liabilities
	€000	€000	€000	€000
Entities with significant influence over the Group				74 311

Terms relating to the related party transactions

The loan is a shareholder loan from the majority owner. The annual interest of 6% is paid on the loan nominal. The loan matures in year 2025.

Notes to the interim report

8. Events after the reporting period

At the closing date the pending litigation of termination of an agent contract was in review process in the Court of Appeals in Turkey. On April 7, 2017 the Court of Appeals approved the decision of the court of first instance (it had dismissed the lawsuit based on the grounds that it lacks competence since the parties have agreed to settle all disputes arising out of the agency agreement by arbitration) and sent the lawsuit file back to court of first instance for finalization of the decision. Kotkamills Oy has not recognized any provision because of the claim.

At the closing date Kotkamills Oy's Seller and former owner prior to the Seller had a dispute related to the terms and conditions of the former acquisition. The dispute was related to certain voluntary pension obligations. Kotkamills Oy was a party to the dispute. Arbitration award was given on May 2, 2017. Based on both award and agreement between Kotkamills Group Oyj and Kotkamills Oy's Seller there won't be any financial impacts on Kotkamills Oy.

Kotkamills Oy has also one unsettled contractual dispute. The dispute relates to a potential compensation claim by a supplier related to performed construction work. In a pending arbitration the supplier claims Kotkamills Oy for compensation of preliminary EUR 1 500 thousand by appealing to rushing costs and increases of unit prices. Kotkamills Oy has disputed the claims as unfounded and has not recognised any provision because of the claim.